GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:351
ANSWERED ON:09.12.2016
Bilateral Advance Pricing Agreement
Gavit Dr. Heena Vijaykumar;S.R. Shri Vijay Kumar

Will the Minister of FINANCE be pleased to state:

(a) whether India and the United States of America have reached a deal for the first bilateral advance pricing agreement and if so, the details thereof and the terms and conditions thereto;

(b) the benefits accrued to India from this bilateral advance pricing agreement;

(c) whether both countries have also resolved tax disputes through the Mutual Agreement Procedure; and

(d) if so, the details thereof and the total amount locked in the dispute?

Answer

(a) to (d): A statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. *351 RAISED BY SHRI S.R.VIJAYAKUMAR AND DR. HEENA VIJAYAKUMAR GAVIT, HON'BLE MEMBERS OF PARLIAMENT FOR REPLY ON 9TH DECEMBER, 2016.

(a) Yes, Madam. India and USA have reached an understanding at a recently concluded bilateral meeting between the competent authorities of the two countries to conclude the first bilateral APA between the two countries. The bilateral APA to be entered into involves a multinational company of USA and its Indian subsidiary. The agreement shall be for a period of five years from financial year 2013-14 to 2017-18 and the two competent authorities have decided the most appropriate transfer pricing methodology to price the international transactions between the two companies and have also decided the Arm's Length Price (ALP) of the transactions.

(b) Bilateral APAs between India and USA are expected to reduce the transfer pricing disputes that arise in respect of international transactions between related companies located in the two countries. Besides, they would lend certainty to international transactions between related companies of the two countries. This would create a conducive environment for multinational companies based in USA and would attract foreign investment. Moreover, bilateral APAs would reduce the time and money spent on protracted litigation.

(c) Yes, Madam. India and USA have been resolving tax disputes under the Mutual Agreement Procedure (MAP) provision contained in the Double Taxation Avoidance Convention (DTAC) between the two countries.

(d) In the last two years, more than 100 cases of tax disputes have been resolved by the competent authorities of both countries under the MAP provision. In a recent bilateral meeting between the two countries, another 108 cases of tax disputes have been agreed to be resolved. While the total amount of income locked up in dispute prior to the recent meeting between the two countries was approximately Rs. 12,000 crore, the recent agreement to resolve more than 100 disputes would reduce this amount by approximately Rs. 5,000 crore.